

Henryk Grossman and the recovery of Marxism

Rick Kuhn*

Who was Henryk Grossman?	5
Grossman's recovery of Marxist political economy	7
Working class struggle	7
Use value and exchange value	12
Marx's method	15
Capitalism's breakdown tendency	17
Counter-tendencies	20
Economic crisis and socialist revolution	22
Recovery and loss	24
References	28

Marxists are ambitious. We set out not only to understand the world but, more importantly, to change it. We regard ideas as part of the world and seek to understand and change them too. Marxism, as a set of ideas, has no privileged status in this regard. It, too, can be explained within the framework of historical materialism. For Marxism is not only a theory of the working class's struggle for its own emancipation. This theory is also the product of that struggle and the efforts of real human beings committed to and involved in it. The history of Marxism can only be grasped in the context of the working class's victories and defeats.

This article uses an historical materialist framework to explore Henryk Grossman's¹ recovery of Marxist economic theory, its preconditions in Grossman's own experience and its relationships with the recoveries of Marxist polities and philosophy undertaken by Lenin and György Lukács. The paragraphs below provide some background on the history of Marxism and especially of the Marxist theory of economic crisis. The next section sketches Grossman's political life to 1933. It is followed by an outline of his recovery and renewal of Marxist political economy. Instead of relying on a few passages selected from his best known work, *The law of accumulation and breakdown of the capitalist system: being also a theory of crises*,² as most of his critics have, this discussion seeks to understand Grossman's approach in the context of his work as a whole, including his published and unpublished replies to critics. The final section discusses the effects of the rise of Stalinism and fascism on Grossman and their implications for his legacy.

* I am grateful to Sam Pietseh, for his perceptive advice on drafts of this article and his role in my 2002 seminar course on recoveries of Marxism; to Gerda and Kurt Kuhn, Mary Gorman and Alyx Kuhn-Gorman who have supported and tolerated my work on Grossman for over a decade; and to *Historical Materialism*'s two referees for their valuable comments.

- 1 He generally signed himself 'Henryk Grossman'. This was how his name appeared in Polish publications and those of his works whose appearance in English he oversaw himself. 'Henryk Grossmann' was the most common German rendition of his name and the one used in most of his own publications in German. In the references below, the name under which each publication originally appeared is used.
- 2 I refer to the English translation (Grossmann 1929b), except where material in the original (Grossmann 1929a) is missing from its abbreviated text.

Marxism only became a possibility when the working class emerged as a force capable, for the first time, of replacing class society with a higher, classless mode of production. Karl Marx's work was not only the result of his own studies of contemporary social relations. His efforts were fundamentally conditioned by conclusions about capitalism's basic features (notably in the work of the classical political economists, Hegel and the utopian socialists) possible at an earlier stage of capitalist development, and the growing experience of the working class, in whose struggles he participated.³

Marx drew on the experience of the Silesian weavers' uprising of 1844. From 1843, Friedrich Engels and later both he and Marx had close ties with the radical wing of Chartism, the first mass, working class political movement. From 1847 Marx and Engels led the Communist League, established on their initiative by German workers as a political organisation with the novel strategy of achieving socialism from below. Mass, revolutionary, working class action was the guiding principle of the *Communist manifesto*, rather than the implementation of the egalitarian dreams of an inspired individual or elite.

In 1872, Marx and Engels noted that the *Manifesto* 'has in some details become antiquated'. Most importantly, drawing on the experience of 'the Paris Commune, where the proletariat for the first time held political power for two whole months', they reaffirmed that 'the working class cannot simply lay hold of the ready-made state machinery, and wield it for its own purposes'. The Commune, Marx had argued the previous year, demonstrated that it was essential to 'smash' the capitalist state.⁴

The circumstances of the revival of the international workers movement, after the suppression of the Commune, led its leaders to play down some key aspects of Marx and Engels's polities and theory. After Engels's death in 1895, the movement's most prominent theoretician, Karl Kautsky, set the tone for the Second International. For him, revolution and socialism were less the result of creative acts of self-liberation by the working class and more the product of inexorable historical processes, in practice personified in the deeds of social democratic parliamentarians, trade union officials and party leaders. The Marxist parties affiliated to the International nevertheless still formally stood for the principle of independent working class polities. But at the outbreak of the First World War most sided with their own ruling classes. By this time, Kautsky had convinced himself that capitalism did not inevitably give rise to war. The blood of millions of working people did not dampen his ardent commitment to scientific objectivity and the view that the war was not in the interests of the modern, imperialist bourgeoisie.⁵

Marx and Engels's conclusions about the working class's capacity to emancipate itself through revolution and the necessity for it to smash existing capitalist states, if it was to be successful, were obscured and even denied by a growing and influential section of the labour movement. A similar process affected Marx's economic analysis. The *Manifesto* provided a lyrical outline of a theory of capitalist crises and breakdown.

the history of industry and commerce is but the history of the revolt of modern productive forces against modern conditions of production, against the property relations that are the conditions for the existence of the bourgeoisie and its rule. It is enough to mention the commercial crises that by their periodical return put on its trial,

3 For the relationship between Marx and Engels's political analyses, in particular, and their involvement in the class struggle see especially Draper 1977; Draper 1978; Nimtz 2000.

4 Marx and Engels 1848, p. 10; Marx 1871, p. 206.

5 Kautsky 1909; Kautsky 1915, pp. 41–46; Salvadori 1979; Schorske 1983; Haupt 1972.

each time more threateningly, the existence of the entire bourgeois society ... And how does the bourgeoisie get over these crises? On the one hand by enforced destruction of a mass of productive forces; on the other, by the conquest of new markets, and by the more thorough exploitation of the old ones. That is to say, by paving the way for more extensive and more destructive crises, and by diminishing the means whereby crises are prevented.

... The growing competition among the bourgeois, and the resulting commercial crises, make the wages of the workers ever more fluctuating. The unceasing improvement of machinery, ever more rapidly developing, makes their livelihood more and more precarious; the collisions between individual workmen and individual bourgeois take more and more the character of collisions between two classes.

... The modern labourer ... instead of rising with the progress of industry, sinks deeper and deeper below the conditions of existence of his own class. He becomes a pauper, and pauperism develops more rapidly than population and wealth. And here it becomes evident, that the bourgeoisie is unfit any longer to be the ruling class in society, and to impose its conditions of existence upon society as an over-riding law. It is unfit to rule because it is incompetent to assure an existence to its slave within his slavery... Society can no longer live under this bourgeoisie, in other words, its existence is no longer compatible with society.⁶

This was a compelling report of work in progress on the contradictory logic of capital accumulation.⁷ But it was not a thoroughly worked out analysis. Marx elaborated that in *Capital*. The first volume, published in 1867, explained the fundamental features of the capitalist mode of production and again insisted on the contradictions of capital accumulation.⁸ The systematic analysis of the mechanisms of capitalism's tendency to break down Marx reserved for the third volume. He died in 1883. Volume two appeared in 1885 and volume three only in 1894, when Engels finished editing Marx's manuscript. By then circumstances were less than favourable for the appreciation of Marx's extension of his analysis or its integration into the already ossifying orthodoxies of official Second International Marxism.

In his widely read and, in the labour movement, widely accepted justification for the Erfurt Program of German Social Democracy, Kautsky had already explained capitalism's recurrent economic crises in underconsumptionist terms. The purchasing power of the bourgeoisie, the proletariat and intermediate classes was restricted by the development of capitalism and could not be indefinitely supplemented by foreign markets. As a result, commodities are periodically and increasingly 'over-produced'.⁹ Presumably through his close association with Engels, Kautsky was aware that the analysis of the falling average rate of profit was an important feature of Marx's account, even before the publication of the third volume of *Capital*. But he inoculated the social democratic movement against seeing this mechanism as a central element in capitalist crises and capitalism's

6 Marx and Engels 1848, pp. 38, 41, 44.

7 The same can be said for the presentation of the issues in Engels 1878, pp. 354-356 and *Socialism: utopian and scientific*, the pamphlet extracted from it, which was immensely popular within the social democratic movement as a basic introduction to Marxist polities.

8 Marx 1867, pp. 798, 929-930.

9 Kautsky 1892, pp. 83-85.

tendency to break down. For Kautsky, the significance of the decline in the rate of profit was that it reduced the size of the capitalist class.¹⁰

Eduard Bernstein's 'revisionist' argument in 1899 that capitalism need not suffer from general and severe economic crises was rejected by orthodox Marxists at the time. Kautsky reaffirmed that crises were an inevitable consequence of underconsumption. His response to Bernstein was, however, ambiguous. Unlike Rosa Luxemburg's critique, *Reform or revolution*, Kautsky's denied that Marx and Engels had ever propounded a theory of breakdown. He maintained that the class struggle could bring an end to capitalism before it reached a stage of 'chronic over-production', which constituted the extreme boundary of the system's viability.¹¹ Later, Rudolf Hilferding and Otto Bauer elaborated sophisticated arguments, based on the work of Mikhail Tugan-Baranovsky, to demonstrate that the logic of capital accumulation did not include a tendency to break down.¹² After the War, the mainstream social democratic movement, from which most radicals had split to establish Communist parties, embraced Bernstein's view that capitalism could experience crisis-free growth.

Major advances in Marxism have often been a consequence of intense class struggles, although *Reform or revolution* demonstrated that this has not always been the case. Their involvement in the 1905 revolution in the Russian Empire provided the impetus for Trotsky's theory of permanent revolution as well as Luxemburg's account of the bureaucratisation of the labour movement, the logic of mass action and the interpenetration of political and economic struggles.¹³

The next period of even more widespread revolutionary action, starting in 1916 with the Easter Rising in Dublin and ending with the stabilisation of German capitalism after the Communist movement mishandled the economic and social crisis of 1923, powered a particularly impressive revival of Marxist theory. The experience of contemporary struggles made possible both the recovery of earlier Marxist insights and their extension. Lenin, especially in *State and revolution*, reaffirmed the active role of the working class in Marxist polities and that the replacement of the capitalist state by a more democratic, proletarian structure was a fundamental task of the socialist revolution. The Russian revolution in November 1917 gave weight to his arguments and attracted millions of working class militants to the new international Communist movement that soon took shape. Some traditional intellectuals were also drawn towards and into this movement. Amongst them was Lukács. Even as he played a leading role in the Hungarian Communist Party, during the revolution of 1918-1919 and after its defeat, he was reinstating the proletariat to the core of Marxist philosophy, through an analysis of 'reification' and of the working class as both the object and (potentially) the subject of history.¹⁴

10 Kautsky 1892, pp. 60-62. Note that Engels only read the introduction to the manuscript of this book, *The class struggle*, and suggested that most of it could be deleted, letter from Friedrich Engels to Karl Kautsky, 5 March 1892, Marx and Engels 1968, p. 287.

11 Bernstein 1899, pp. 79-97; Kautsky 1899, pp. 42-43, 139-142, 145; Kautsky 1902, pp. 76-81; Luxemburg 1898-1899. Cunow 1898, pp. 424-430 also refuted Bernstein in underconsumptionist terms.

12 Grossmann 1929b, pp. 40-41, 51.

13 Luxemburg 1898-1899; Trotsky 1906.

14 More recently, struggles for women's liberation and over the environment were the context for recoveries of previously neglected, distorted or obscured analyses of women's oppression and capitalism's implications for the natural world, Draper 1972, Leacock 1975, Sacks 1975, Burkett 1999, Foster 2000.

In 1903, Rosa Luxemburg had attributed the relative stagnation of Marxism in the late 19th century and then the neglect of the third volume of *Capital* to the theoretical inertia of the social democratic movement. More tellingly, she argued, ‘Only in proportion as our movement progresses, and demands the solution of new practical problems do we dip once more into the treasury of Marx’s thought, in order to extract therefrom and to utilise new fragments of his doctrine.’¹⁵ In 1924, when he was researching Marx’s theory of capitalist breakdown, Henryk Grossman developed Luxemburg’s argument and explained the stagnation of Marxist economics in the late 19th century as a consequence of the limited development of the class struggle and the fact that the transition to socialism had not, therefore, been immanent. The subsequent poverty of ‘Marxist’ theory, despite the revolutionary nature of more recent class conflicts, had to be explained in terms of the emergence of ‘an elite labour bureaucracy and labour aristocracy which accepted the capitalist system and did not see any reason to abolish it’.¹⁶

Grossman’s return to Marx, in order to overcome the stagnation of Marxist economics, paralleled the recovery by Lenin and Lukács of Marxist polities and philosophy. He shared with them more than a political starting point, their commitment to the project of constituting the working class as a conscious historical actor. All three also grasped the importance of Marx’s theory of the fetishism of commodities, his method in *Capital* and the intractability of capitalist crises. Grossman concentrated his efforts, in particular, on the question of the relationship between capital accumulation and economic crises, which he theorised in two distinct but complementary ways.

Today it is necessary and possible to undertake a full recovery of Grossman’s achievements and, through them, to insist on the continuing relevance of Marx’s approach. Both can help us in the fight to understand and change a capitalist world order whose fantasies during the 1990s about a ‘new economy’ of sustained economic growth¹⁷ came unstuck, and in which the connections between economic crisis, imperialism and war have become violently obvious.

Who was Henryk Grossman?

Henryk Grossman’s background was bourgeois and he was trained to be a traditional intellectual, serving the established order.¹⁸ He was born on 14 April 1881 in Kraków, to an upwardly mobile Jewish family, rapidly assimilating to the Polish high culture of Galicia, the Austrian-occupied sector of partitioned Poland. Although he gained an academic education and pursued a successful and conventional career, Grossman did not become a traditional intellectual. His outlook was not only sympathetic to the working class, it was formed through his involvement in the organised labour movement and engagement in working class struggles.

At school, he joined the Polish Social Democratic Party of Galicia (PPSD) and began to organise fellow students. At Kraków’s Jagiellonian University, he continued to assist the political activities of high school students and was soon prominent amongst socialist university students. He became a leader of the radical student group *Ruch* (Movement) and was involved in smuggling socialist literature into the Russian Empire for the Social Democratic Party of the Kingdom of Poland and Lithuania, led by Rosa Luxemburg and Leo Jogiches, and the General Jewish Workers Union of Lithuania, Poland and Russia—the Bund. In late 1904 and early 1905, Grossman was the founding

15. Luxemburg 1903, pp. 108-113.

16. Grossman 1923, pp. 295-299.

17. Shepard 1997; Greenspan 1997.

18. For more details of Grossman’s activities before 1925, see Kuhn 2000a, pp. 111-170; and Kuhn 2001, pp. 133-154.

editor of *Zjednoczenie (Unification)* established by young socialists, most of them aligned with organisations in Russian Poland to express more radical positions than those of the nationalist leadership of the PPSD and its close ally on the Tsar's Polish territory, the Polish Socialist Party (PPS).

From about 1901, Grossman led efforts to rebuild social democratic organisations amongst Kraków's Jewish workers. When the nationalist and assimilationist PPSD moved to liquidate the general associations of Jewish workers affiliated to it across Galicia, Grossman and their other leaders set up a new Jewish workers' party. He developed a theoretical rationale for such a party and led the practical preparations for its establishment. The Jewish Social Democratic Party of Galicia (JSDP) was proclaimed on May Day 1905 and soon had 2,000 members. On behalf of the new Party, its secretary, Grossman, and seven other members of its organising committee immediately applied for affiliation to the federal General Austrian Social Democratic Party. The General Party, dominated by an alliance between its largest component, the German-Austrian Party, and the PPSD, rejected the application, although the JSDP had announced its adherence to the General Party's program. Like the Bund, Grossman and the majority of the JSDP favoured a federal approach to the national question within social democracy and national cultural autonomy as the means to resolve national conflicts at the level of the Austrian state.

The JSDP was formed in the course of massive class struggles in Austria-Hungary, triggered by the Russian revolution of 1905. Working class militancy in successful campaigns for improved wages and hours resulted in the rapid growth of the union branches and associations which were the basic units of the social democratic movement. From September the General Party conducted a campaign for universal suffrage that mobilised hundreds of thousands in militant demonstrations and marches across the Austrian half of the Empire. The involvement of Jewish workers in Galicia was largely a consequence of the activities of the JSDP.

At the end of 1908, during a downturn in the class struggle, Grossman left Kraków to pursue legal and academic careers in Vienna. Although he remained a member of the JSDP's Executive Committee until 1911, he was not involved in the day to day politics and management of the Party back in Galicia. Between 1912 and 1919, there is no evidence that Grossman was involved in political activity. But his publications during this period expounded views compatible with a Marxist analysis, carefully phrased to avoid destroying the prospect of an academic post.

As befitting a member of his class, Grossman became an officer during the First World War. From 1917, he served in an elite research organisation, alongside many of the most prominent Austrian economists of his own and the previous generation. This experience was important when, in 1919, he moved to Warsaw and a senior position with the Central Statistical Office. He was in charge of the conduct of Poland's first national population census. Differences over the treatment of ethnic minorities in the reports of the census led him to leave the Office in 1921, for a post at the Free University of Poland (*Wolna Wyższa Szkoła Polska*), teaching economic policy.

It is clear that Grossman's politics were profoundly influenced by the Bolshevik revolution. He joined the Communist Workers Party of Poland in 1919. His main contribution to the Party's work was as the secretary and soon the chairperson of the People's University (PU) from early 1922 until 1925. The PU was a large adult education institution under Communist leadership. Given the Party's illegal status, the PU provided not only a vehicle for legal cultural and educational work but also a means for bringing together a range of militants from different sectors--workers, students, intellectuals, peasants--in a way that trade unions, for example, could not.

The Polish secret police harassed Grossman, like thousands of other Polish Communists. So he left the country, in late 1925, to take up a job offer from his academic patron in Vienna, Carl Grünberg, by then the Director of the Institute for Social Research in Frankfurt am Main. In order to retain access to his family and friends in Poland, Grossman seems to have made an unofficial deal with the Polish authorities for a kind of qualified exile. He would leave Poland but could return for two

weeks a year, so long as he only saw his family and did not engage in political activity. As the pair had planned, Grossman was awarded a higher doctorate (*Habilitation*), a prerequisite for a university post, primarily for the research project Grünberg had supervised in Vienna, before the War. In 1929, the University of Frankfurt appointed him to a professorship (*ausserordentlicher Professor*).

In Frankfurt he played it safe politically. As a Polish national whose situation in Poland was precarious, he decided not to join the German Communist Party (KPD), although he was a close sympathiser. As a consequence, he was not subject to the full blast of Stalinisation, as the counter-revolution in Russia imposed centralised bureaucratic structures and doctrines concocted in Moscow on the international Communist movement. From 1927, Grossman combined his well-paid and permanent post at the Institute with university teaching. Financially secure and outside the discipline of a political party, he had far greater freedom than the vast majority of Marxists at that time to elaborate, advocate and defend, publicly and without major apparent risks, economic theories that did not accord with social democratic, Communist or conservative academic orthodoxies.

Grossman's recovery of Marxist political economy

There was a fundamental consistency in Grossman's work on the political economy of capitalism, between his first surviving public statement on the topic, a lecture to the Polish Academy of Sciences in 1919, and his death. This was despite shifts in his political loyalties. His views certainly developed: it seems that he first identified the tendency for the rate of profit to fall as the core of Marx's theory of breakdown in the early 1920s. But key elements were already present in his lecture: the relationship of economies to the class struggle, the importance of the distinction between use and exchange value, Marx's method in *Capital* and the inevitability of economic crises under capitalism. The account below therefore presents Grossman's positions as a systematic analysis, rather than focussing on the chronology of his work.

Working class struggle

A commitment to socialist revolution as the product of mass working class struggle and as a precondition for the abolition of class society was at the centre of the politics of the Communist movement which Grossman joined in 1919. But it had long been a feature of Grossman's outlook. Twelve years earlier, in contrast to the PPSD's position that there was no need for Jewish workers to take up the Jewish question, because their distinctive problems would be solved by the victory of socialism, he had invoked Marx's fundamental and distinctive conception of socialism:

The words of the *Communist Manifesto* that '... the emancipation of the workers must be the act of the working class itself...' mean, as far as the Jews are concerned, that their emancipation can only be the product of their own political struggle.

And really, equal national rights for the Jewish proletariat are not at all an exotic blossom, ripening somewhere outside the sphere of the day-to-day struggle, that will somehow bring the Jews good fortune on the victory of socialism. Equal rights can only be the result of an inner development which includes both a **subjective** factor, i.e. the Jewish working class, and an **objective** factor, i.e. the rest of the capitalist society.¹⁹

A Jewish working class party, Grossman insisted, was a crucial element in this process. His understanding of the relationship between class interest and political organisation already paralleled

19 Grossman 1907b, p. 46. Here and elsewhere in this article, the emphasis is in the original.

Lenin's polemies on the issue and anticipated Lukács's and Gramsci's post-war discussions of the role of the party in the promotion of class consciousness.²⁰

Recognition, based on scientific socialism, that all forms of social consciousness are to be explained in terms of **class** and group interests is of great practical significance in the assessment of a proletarian party, i.e. social democracy. This is also significant to the extent that it is true **in reverse**, that is, the class interests of the proletariat find their expression in party consciousness (in the form of a program); party consciousness is the multi-faceted expression of the proletariat's class interests and the most far-reaching interpretation of conclusions drawn from the objective trends of real social development. Workers' parties do not always fulfil this requirement (as evidenced by the PPSD). Both the character and the content of collective party thought remain **directly dependent on the particular party's adjustment to the very working class** whose expression it should be.

The task, therefore, of establishing the Jewish workers' movement on the basis of Marxism (i.e. of fulfilling the above-mentioned tasks, of making abstract socialist theory into the flesh and blood of the workers' movement; in other words of adjusting it to the development of Jewish society and its particular problems), could, we repeat, only be achieved through the closest possible adaptation of the party organisation to the historical forms of the Jewish proletariat's condition. It could only be achieved through the mutual organic growth of the party organisation and the workers' movement itself, just as the latter has grown out of capitalist society.²¹

Given the constraints faced by Jewish social democrats in Galicia--the nationalist hostility of the PPSD and its opportunist alliance with the similarly nationalist German-Austrian Party inside the General Party--such a relationship could only emerge between the Jewish working class and a *separate* Jewish social democratic party. The features of their national party, imposed on him and his comrades in the JSDP by specific circumstances, and also the pursuit of national cultural autonomy, Grossman mistakenly regarded as principles.²² Elsewhere, large socialist organisations had better relations with Jewish workers, engaging in more serious struggles against anti-semitism and for the rights of Jews than the PPSD in Galicia or the German-Austrian Party did before the First World War. For example, German Social Democracy from the 1870s and Jaurès and his supporters on the French left, particularly in the course of the Dreyfus affair, had devoted substantial resources to campaigns against the oppression of Jews.

Grossman placed the class struggle at the centre of the simultaneous processes of transforming working class consciousness and the material world. The Jewish working class, organised through its own party, faced a paradox. It needed national cultural institutions in order to become politically conscious. But such institutions could only be the result of the mobilisation of a class conscious working class.

The resolution of this apparent contradiction will be achieved through **the very class struggle** of the Jewish proletariat itself. Through its political struggle the Jewish proletariat achieves its national and cultural requirements in the state and also becomes

20 See, for example, Lenin 1902, pp. 126, 145; Lenin 1906, pp. 425, 524-525; Cliff 1975, pp. 171-183; Lukács 1923, pp. 46-82, 149-222; Lukács 1924, pp. 24-38, 49-50; Gramsci 1971, pp. 10, 330, 340.

21 Grossman 1907b, pp. 42-43.

22 Grossman 1907b, p. 43.

both class and nationally conscious. To the extent that it becomes nationally conscious and develops itself, by achieving class consciousness through political struggle, the Jewish proletariat forces its opponents to make concessions and thus both transforms its environment, capitalist society, and makes that environment ready to take its national-cultural needs into account.

The above-mentioned, subjective and objective conditions for achieving equal national rights for Jews, are bound together and influence each other. The means for realising this struggle and the whole evolutionary process is precisely the independent organisation of the Jewish working class.²³

Grossman eventually abandoned the illusion that national cultural autonomy could resolve the national question under capitalism.²⁴ But he retained a dialectical understanding of the role of a revolutionary party in transforming the working class into an historical subject.

In his work after 1919, Grossman exposed two perspectives that undermined the revolutionary capacities of the working class. Contrary to what he called the social democratic 'neo-harmonists' and most currents of bourgeois economics he insisted that capitalism is incapable of experiencing sustained, stable and crisis-free growth. Not only Kautsky but 'Marxist' economists of Grossman's own generation, Hilferding and Bauer, who explained crises in terms of disproportions in the output of different industries, argued that the policies of parliamentary states could prevent major economic fluctuations and at the same time gradually institute socialism.

During the 1920s, Hilferding and Bauer were leaders of the largest parties of the German speaking working class. Hilferding represented the Social Democratic Party in the German parliament from 1924 until 1933 and was German Finance Minister in 1923 and 1928-29. Bauer was the most important figure in Austrian Social Democracy after the War. Despite their *formal* adherence to Marxist orthodoxies, therefore, they drew the same *practical* conclusions as Bernstein and the top officials and ideologists of labour and social democratic parties into the 21st century.

Although capitalism is inherently crisis prone, Grossman maintained that revolution is not possible at all times. Only when objective circumstances have weakened the power of the ruling class is it possible to overthrow the bourgeoisie. Economic crises are an important factor which undermines the ability of the capitalist class to rule. Grossman was therefore very critical not only of reformist socialists but also of voluntarism, embodied, for him, in the work of Fritz Sternberg.²⁵ But the belief that the main obstacle to socialism was a lack of revolutionary will was also a feature of the politics of some Communist Parties in the early 1920s and especially of the Communist International after 1928, when it maintained that the political stabilisation of capitalism from the mid-1920s had ended, ushering in a 'Third Period' in the post-war era.

Rosa Luxemburg's work provided a starting point for Grossman's critiques of reformism and voluntarism. She had identified the centrality of the theory of economic breakdown to Marxism and

23 Grossman 1907b, p. 47

24 In a multi-national state, national cultural autonomy, the allocation of the cultural and educational affairs of nations to separate institutions that they elect, does not ensure that the national question is politically disarmed, as Grossman, following the Bund and Karl Renner, argued. The national question cannot be reduced to educational, cultural and linguistic matters. When people think in nationalist categories, all political and economic questions are potentially issues in national conflicts. For a detailed discussion see Kuhn 1998.

25 Sternberg 1926.

the implications of Bernstein's position in both *Reform and revolution* and her major economic work, *The accumulation of capital*.²⁶ Lukács regarded Luxemburg's insistence that capitalism had a tendency to break down as a fundamental proposition of Marxism and simply accepted her economic arguments for it. He defended her position against Bauer's economic critique in philosophical and political terms.²⁷ The longest essay in his *History and class consciousness* and, indeed, the book as a whole focussed on 'the ideological problems of capitalism and its downfall' and did not 'discuss the central importance of [the commodity form] for economics itself'.²⁸ Grossman also regarded Luxemburg's grasp of the significance of capitalist collapse as correct.

It was a great historical contribution of Rosa Luxemburg that she, in a conscious opposition to the distortions of the 'neo-harmonists' adhered to the basic lesson of *Capital* and sought to reinforce it with the proof that the continued development of capitalism encounters absolute limits.

Frankly Luxemburg's efforts failed ...

... Her own deduction of the necessary downfall of capitalism is not rooted in the immanent laws of the accumulation process, but in the transcendental fact of an absence of non-capitalist markets. Luxemburg shifts the crucial problem of capitalism from the sphere of production to that of circulation. Hence the form in which she conducts her proof of the absolute economic limits to capitalism comes close to the idea that the end of capitalism is a distant prospect because the capitalisation of the non-capitalist countries is the task of centuries.²⁹

In contrast to Lukács, then, Grossman, sought to expose the flaws in Luxemburg's economic analysis, the most influential and systematic account of capitalist breakdown to date. By developing an alternative and superior *economic* explanation of why capitalism tended to break down, Grossman provided a more solid foundation for her conclusions and complemented the case Lukács grounded in philosophy and politics.

The meaning of a Marxist theory of breakdown is that the revolutionary action of the proletariat receives its strongest impulse only when the existing system is objectively shaken. This, at the same time, creates the conditions for successfully overcoming the resistance of the ruling classes.³⁰

If capitalism can go on forever, consistently increasing the production of wealth, then economic problems, at least, could either be overcome through working class action to reallocate wealth or ameliorated into unpleasant but bearable irritants. In these circumstances, Grossman pointed out,

26 Luxemburg 1898-1899, pp. 26-27; Luxemburg 1913, p. 325.

27 Lukács 1923, pp. 30-40; Lukács 1924, p. 47. Lenin's comments on the real causes of capitalist crises were cursory and general. He attributed them to the anarchy of capitalist production and disproportional growth in the output of different industries (Lenin 1897, pp. 166-168; Lenin 1899, p. 66; Lenin 1901) and later identified monopoly as a cause of capitalist 'stagnation and decay' (Lenin 1916, p. 276)

28 Lukács 1923, pp. 83-84.

29 Grossmann 1929b, pp. 41-42, 125-126. Also see Grossman 1922, pp. 171-180; Kuhn 2000b; Grossmann 1932a, pp. 318-322.

30 Grossmann 1932a, pp. 335-336.

the working class could just as easily reconcile itself with capitalism as voluntaristically attempt to realise socialism.³¹

‘It is no accident’, Giacomo Marramao insightfully observed ‘that it is precisely in Lukács’ *History and class consciousness* that one finds the philosophical equivalent of Grossmann’s great attempt at a critical-revolutionary re-appropriation of Marxian categories’.³² This complementarity was apparent in their restoration of contradictory class interests and perspectives to the centre of Marxist philosophy and Marxist economic theory. Both, however, drew on Lenin; something that neither Marramao nor Grossman’s Council Communist supporter, Paul Mattick, acknowledged. What is more, in rejecting Second International Marxism, Lenin, Lukács and Grossman, all developed an appreciation for Hegelian aspects of Marx’s thought.³³

There were already some parallels, before the War, between the positions on the role of a revolutionary party that Grossman and Lenin held. From the early 1920s, Grossman’s political activities and his publications demonstrated that, for him, Lenin was the preeminent figure amongst Marxists who ‘have written extensively on the political revolution’ and had established the framework for his own economic analysis.³⁴ In Elster’s *Dictionary of economics*, Grossman expounded and approved of Lenin’s view that

The spontaneous struggle of the proletariat will never become a real class struggle, so long as this struggle is not led by an organisation of revolutionaries. The revolution cannot, indeed, be ‘made’; its growth is an organic ripening process; there must, however, also be a revolutionary reaper, who brings in the ripe crop. To the Mensheviks’ ‘tactics as process’, i.e. as spontaneous process of becoming, Lenin counterposed ‘tactics as plan’, as conscious leadership. The task of the party as the avant-garde of the proletariat should not consist of lagging behind the spontaneous course of events. The party has, much more, to actively support all expressions of protest against the established regime, take on their organisation, finally proceed to prepare and carry through the armed uprising. During the whole period, therefore, the party fulfills the function of collective organiser and leader, which is not dissimilar to the position of a commander in chief during a war.³⁵

Like Lukács, in his 1924 essay on the leader of the Russian revolution, Grossman also endorsed Lenin’s account of the circumstances under which a socialist revolution can take place.³⁶ Against Sternberg’s voluntarist argument--that revolution was an act of the will--and his mistaken view that

31 Grossmann 1929b, pp. 56-57.

32 Marramao 1975, p. 64. Marramao also highlighted the similarities between the arguments about the consequences of economic crises for working class consciousness in Lukács’s *History and class consciousness* and Grossman’s *The law of accumulation*, Marramao 1975-76, pp. 162-163. See, in particular, Lukács 1923, pp. 30, 40, 70.

33 See, for example, Lenin 1981, pp. 114, 130, 180, 182, 208; Lenin 1922, pp. 233-234; and Rees 1998, pp. 184-194. Martin Jay (1973, p. 17) was thoroughly mistaken in asserting that Grossman was ‘largely unsympathetic to the dialectical, neo-Hegelian materialism of younger’ members of the Institute for Social Research.

34 Grossmann 1929b, p. 33.

35 Grossmann 1931, p. 45.

36 Lukács 1924, pp. 31-34.

Marx believed revolution would be the ‘automatic’ consequence of entirely economic forces, Grossman cited ‘a specialist in revolutionary matters and at the same time a Marxist’.

Marxists, said Lenin in 1915, know perfectly well that a revolution cannot be ‘made’, that revolutions develop from crises and turns in history, which have matured objectively (independently of the will of parties and classes)... Only then is a further subjective condition of significance... ‘**the capacity of the revolutionary class for mass revolutionary action**’, which presupposes an **organisation** of the unified will of the masses and **long experience** in everyday **class struggles**.³⁷

Lukács expressed Marx’s dialectical conception of revolution in Hegelian terms. The working class was an object of history, created by the process of capital accumulation. The experience of the class struggle, which was also a consequence of capitalist relations of production, meant that the working class could also become the subject of history, conscious that its interests could only be realised through socialist revolution.³⁸ This was, no doubt, one of Grossman’s reasons for describing *History and class consciousness* as a ‘beautiful and valuable book’ in his survey of Marxism since Marx. He also summarised Marx’s political position in distinctly ‘Lukácsian’ terms:

The main result of Marx’s doctrine is the clarification of the historical role of the proletariat as the carrier of the transformative principle and the creator of the socialist society ... In changing the historical *object*, the *subject* changes himself. Thus the education of the working class to its historical mission must be achieved not by theories brought from outside but by the everyday practice of the class struggle. This is not a doctrine but a practical process of existing conflicts of interests, in which doctrines are tested and accepted or discarded. Only through these struggles does the working class change and re-educate itself and become conscious of itself. Marx’s attack on the ‘fatalistic economists’ is only an illustration of the fact that his dialectical concept of history has a twofold significance. In this he follows Hegel, for whom history has both an objective and a subjective meaning, the history of human activity (*historia rerum gestarum*) and human activity itself (*res gestas*). The dialectical concept of history is not merely an instrument with which to explain history but also an instrument with which to make history.³⁹

Use value and exchange value

The everyday functioning of capitalist exchange serves as a form of automatic self-camouflage for capitalist relations of exploitation. In *Capital*, Marx identified this as the ‘fetishism of commodities’. Lenin’s study of Hegel, during the First World War, led him to recognise the need for historical materialist explanations of both the fundamental logic of capital accumulation and the way it is obscured in capitalism’s surface appearance.⁴⁰ Lukács used the concepts of totality and reification to explore the same issues of appearance and reality in greater depth. As early as 1919, Grossman, similarly, drew attention to the importance of grasping the contradictory unity of capitalist commodities as ‘use values’, with particular material characteristics, and as ‘values’, the products of human labour. Capitalist production is, consequently, the unity of the labour process,

37 Grossmann 1928, pp. 156, 161-162. Grossman referred to Lenin 1915, pp. 213-214, 228, 240. Also see Grossman 1929b, pp. 95-96.

38 Lukács 1923, especially p. 149 et seq.

39 Grossman 1943b, pp. 520-521.

40 Lenin 1981, p. 208

that gives rise to use values, and the valorisation process (revolving around the extraction of surplus-value from the working class). The socially necessary labour expended in the creation of commodities determines their value, which takes the form of 'exchange value' in market relations. The economic implications of the use value aspect of capitalist production are concealed by the obviousness of exchange value. Hence the inadequacy of the work of mainstream economists and even many of those who identified themselves as 'Marxists', which does not look behind capitalism's camouflage.⁴¹

To Max Horkheimer, Grünberg's successor as Director of the Institute for Social Research, Grossman explained, in 1936, that Marx had not wanted to complete but rather 'to revolutionise' the categories of classical political economy. His discovery extended beyond identifying the use value and exchange value sides of the commodity and human labour to analysis of the dual character of the production process, the reproduction of social capital, capital itself and the organic composition of capital.⁴² Understanding the two-fold nature of economic phenomena entails criticism of 'previous theory for only looking at individual, isolated sectors, instead of grasping the concrete totality of economic relations'. 'Marx's critique of Ricardo's categories of value, and the changes he made', Grossman pointed out 'closely resembles Marx's critique and transformation of Hegel's dialectic'.⁴³

In a draft of his 1941 essay 'Marx, Classical Political Economy and the Problem of Dynamics', the affinities between Grossman's approach to Marxist economics, Lukács's contribution to Marxist philosophy and also Lenin's recovery of Marxist politics were particularly apparent. By means of the distinction between use value and exchange value and an analysis of commodity fetishism, Grossman focussed the insight that the working class was not only an object of the historical process but also a creative subject to illuminate the heart of capitalist production.

Here, in the labour process, labour takes the form not of a tool, but 'labour itself appears as the dominant activity'; here the world of objects does not control labour; rather all of the means of production [i.e. the machinery, equipment, buildings and raw materials used in the production process] are subordinate to labour.⁴⁴

The contradiction between capitalist production as a labour process and as a process driven by the creation of value through the exploitation of wage labour was, for Grossman, the ultimate cause of capitalism's breakdown tendency:

As a consequence of this **fundamentally dual structure**, capitalist production is characterised by insoluble conflicts. Irremediable systemic convulsions **necessarily arise from this dual character**, from the immanent contradiction between value and use value, between profitability and productivity, between limited possibilities for

41 Grossman 1922, this publication was an abstract of a lecture Grossman had delivered to the Polish Academy of Science in 1919; Grossman 1924, pp. 50, 59; Grossmann 1941, p. 43. Grossman's critique of the neglect of the use value side of the organic composition of capital by the 'epigones of Marx', in a page long footnote, is missing from the English translation of *The law of accumulation* (1929b), see Grossmann 1929a, pp. 326-327, also p. 330.

42 Horkheimer 1995, pp. 641-642; Grossmann 1941, pp. 39-41.

43 Grossmann 1941, p. 44-45. Grossman made the same point and included a critique of Otto Bauer's misunderstanding, in 1907, of Marx's dialectical method as identical to Hegel's, in Grossman 1937, pp. 133-141.

44 Grossman 1937, p. 111.

valorisation and the unlimited development of the productive forces. This necessarily leads to overaccumulation and insufficient valorisation, therefore to breakdown, to a final catastrophe for the entire system.⁴⁵

The capitalist valorisation process also conceals the labour process. Both the fetishism of commodities and capitalism's tendency to break down therefore have their roots in the double nature of production under capitalism. Freed of the valorisation process, Grossman argued, production could be organised on a social basis and become a technical labour process, without crises and without the mystification that arises from the commodity form:

Where the social interrelations of individual production processes are directly determined and planned, there is no room for the law of value, whose most important task consists in the production of these social interrelations. Social equilibrium, **calculated in advance**, no longer has to be restored **subsequently** by means of the mystical veil of value.⁴⁶

Grossman developed two, complementary theories of capitalist crises. The distinction between use and exchange value was vital to his first explanation of the inevitability of crises, in terms of the impossibility of consistently maintaining proportional output amongst industries. This is hard enough in terms of exchange value: each industry has to produce just the right amount of products of the correct exchange value to match other sectors' demands and capacities to purchase them. But crisis-free production also requires that the physical amounts produced have to match the material (use value) requirements of purchasers of specific means of production and consumption.

Agreement between the two movements can only be an accident, and their disproportion is a constant and unavoidable phenomenon of the economic mechanism under investigation, a disproportion resulting from the double character of its essence, which is on the one hand a process of making pay [valorisation process], on the other, one of work [labour process].⁴⁷

Crises would arise even under conditions of simple reproduction, i.e. even when the scale of production remained the same over time.⁴⁸ This account of crises due to disproportionality, grounded in the dual nature of the capitalist commodity, was more radical than the disproportion arising from capitalist competition to which Hilferding and Bauer had drawn attention. Their concentration on exchange relations suggested that economic planning by capitalist states could eliminate crises and, with social democratic ministers at the helm, open the way to a gradual and crisis-free transition to socialism.⁴⁹

45 Grossmann 1929a, pp. 619-620. Grossman foreshadowed this synthesis in the previous chapter of his book, 'The fundamental idea underlying Marx's scheme is the immanent contradiction between the drive towards an unlimited expansion of the forces of production and the limited valorisation possibilities of accumulated capital.' Grossmann 1929b, p. 190.

46 Grossmann 1929a, pp. 621, 622.

47 Grossman 1922.

48 Grossmann 1977, p. 41; also Grossmann 1929b, pp. 119, 128.

49 In an unpublished manuscript, Grossman provided an example of how, when commodities are treated as use values as well as exchange values, Bauer's utopia of proportional accumulation falls apart, Grossman 'Entwertung'.

Marx's method

His recovery of Marx's understanding of the totality of social relations and the need to explain the appearances of the surface of the capitalist economy in terms of its fundamental structures, was also the basis on which Grossman developed the most systematic and compelling account, to that point, of the structure of *Capital*. His work in this area, from 1919 (or earlier), paralleled Lenin's then unpublished comments on the relationship between appearance and reality and Lukács's analysis in *History and class consciousness*. Like their insights, it was connected with an appreciation of Marx's debt to Hegel.⁵⁰

In his first published discussion of capitalism's tendency to break down, Grossman argued that, as in the natural sciences, it is necessary to abstract from 'accidental and external influences' and abandon 'naïve empiricism' in order to grasp 'whether crises result from the essence of the economic mechanism under consideration'.⁵¹ A decade later, he published an essay which he called a 'small programmatic work'.⁵² 'The alteration of the original plan of Marx's *Capital* and its causes' dealt with much more than the differences between drafts of Marx's economic study. It was concerned with Marx's method and its implications for the Marxist understanding of capitalism. In this sense, the article provided a justification for the method used in *The law of accumulation* and highlighted some of the book's most important conclusions.⁵³

In his 1859 *Contribution to a critique of political economy*, Marx had foreshadowed that the structure of his study of capitalism would deal successively with capital, land ownership, wage labour, the state, foreign trade and the world market. That is, it would reflect certain basic, empirical features of capitalism. But the four volumes of *Capital* (including *Theories of surplus value*) eventually dealt with the capitalist production process, the circulation process of capital, the process as a whole, and the history of economic theory. The final presentation was much more theoretical, focussing on the functional forms taken by capital.⁵⁴

In 1924, Grossman had linked Sismondi's reproduction scheme and method of abstraction.⁵⁵ Now, on the basis of Marx's correspondence, he pinpointed the decision to change the structure of *Capital* to July-August 1863, coinciding with Marx's work on the reproduction scheme that was eventually an important element in the argument of volume II. In order to lay bare the process through which capitalist production, from the perspective of total social capital, is sustained over time, Marx set out abstract models consisting of just two departments of production: the first combined variable capital (labour power) and constant capital (means of production) to create surplus (ie new) value by producing means of production; the second by producing articles of consumption. Marx considered the exchanges between the two departments and the conditions which must hold true if reproduction is to take place smoothly, both when the level of output remains constant and when it expands. As we have seen, these conditions relate to the proportions, in both material and value terms, amongst the inputs and outputs of commodities in both departments of production.

50 Lenin 1981, p. 182; Lukács 1923, p. 31; Grossman 1929c, pp. 327, 337.

51 Grossman 1922, p. 175.

52 Grossmann 1969, p. 86.

53 Grossmann 1929c, pp. 305-338.

54 Grossmann 1929c, p. 311.

55 Grossman 1924, pp. 14-17; Grossmann 1929c pp. 313-314, 327.

Grossman pointed out that the perspective underpinning Marx's schemes, in particular a series of simplifying assumptions or abstractions, had already been elaborated in volume I.⁵⁶ These abstractions laid bare the relations which determined capitalism's basic logic in the creation of surplus value. The abstractions Marx made in the first stages of his analysis included a focus on industrial capital, to the exclusion of circulation and the credit system; the assumption that commodities sold at their value and therefore the exclusion of foreign trade, fluctuations in supply, demand and the value of money; putting aside the different forms that surplus value takes (taxes, ground rent, interest and commercial profit), apart from industrial profit; and the temporary assertion that society only consisted of the two classes of capital and labour, whose relationship defines the capitalist production process.⁵⁷

In the literature, there was a great deal of confusion about Marx's method. György Lukács, Grossman acknowledged, had grasped it, unlike Luxemburg. Lukács had understood that Marx abstracted to a society without any classes but workers and capitalists, 'for the sake of argument, i.e. to see the problem more clearly, before pressing forward to the larger question of the place of this problem within society as a whole.'⁵⁸ But, Grossman pointed out against Lukács, *Capital* was not 'a fragment' and Marx himself, rather than Luxemburg, undertook the return journey to the living whole, reintroducing into his now clarified analysis elements previously abstracted from. For, as *The law of accumulation* demonstrated, 'to every simplifying, fictional assumption' in Marx's system, 'there corresponds a subsequent modification'.⁵⁹ Particularly in volumes 2 and 3 of *Capital*, Marx introduced complicating factors, step by step, exploring their effects and progressively revealing and explaining specific features of empirical capitalism.⁶⁰ By means of this account, Grossman dissolved objections by critics of *Capital* that there were contradictions between the first and the subsequent volumes. Although neither Marx's preliminary draft of *Capital*, subsequently published as *Grundrisse*, nor his later drafts were available to Grossman, his pioneering treatment of the logic of *Capital* is still widely acknowledged.⁶¹

Grossman's grasp of Marx's scientific method in *Capital* was also apparent in his work on the history of science. In a devastating critique of Franz Borkenau's work, he demonstrated that the extensive use and study of machines during hundreds of years of capitalist development had facilitated the process of abstraction embodied in early modern physics.⁶²

56 Grossmann 1929e, p. 329.

57 Grossmann 1929e, pp. 312-321.

58 ibid. pp. 336, fn. 40, 338; Lukács 1923, p. 31.

59 Grossmann 1929e, p. 336.

60 Grossman 1922; Grossman 1924, pp. 9-11, 13, 15-17; Grossmann 1928, pp. 145, 149-150, 173, 183; Grossmann 1929b, pp. 29-33, 63-67, 83-86, 130; Grossmann 1929e.

61 Kenneth Lapides (1992) provides an excellent survey of the debate on the completeness of *Capital*, Marx's modifications of its structure, their implications as well as Grossman's contribution. The article includes translations of passages from Grossmann 1929e. Morf (1970, pp. 104-108) and Rosdolsky (1968, pp. 23-26), however, were critical of Grossman's explanation of the changes in Marx's plan for *Capital*. Also see Sweezy 1942, p. 18.

62 Grossmann 1935, pp. 129-180.

Capitalism's breakdown tendency

Grossman is best known for his explanation of capitalism's 'law of breakdown' in terms of the tendency for the rate of profit to fall, his second theory of capitalist crises. It drew extensively on Marx's account in volume 3 of *Capital*. Standard presentations of Grossman's work ignore the political argument about the circumstances under which revolution is possible, which he explicitly established as the context for his economic analysis. They similarly ignore his method of presentation, that followed Marx's in *Capital*, and Grossman's own systematic discussion of counter-tendencies which bolster profit rates.

The dual nature of commodities, underpinned Grossman's second theory of crises as it did the first.

[T]his same duality serves to reveal the category which occupies the central place in Marx's system: the falling average rate of profit, the 'motive power of capitalist production'. In *Capital* we find it repeatedly stressed that 'the inner opposition of use value and value hidden in the commodity' develops and grows along with the development of capitalist production. The nature of the opposition between use-value and value in the commodity, and why it assumes constantly growing proportions, was never treated as a problem. However, when seen in connection with the presentation of the development of the productive power of labour in Volume I, the presentation of the tendency of the rate of profit to fall in Volume III of *Capital* shows that Marx also derives this category from the dual character of labour, namely the inverse movement of the mass of use values and values as a consequence of the increase in the productive power of labour: the richer a society becomes, the greater the development of the productive power of labour, the larger the volume of useful articles which can be manufactured in a given period of labour; however, at the same time, the value of these articles becomes smaller. And since the development of the productive power of labour means that a constantly growing mass of means of production (MP) is set in motion by a relatively constantly falling mass of labour (L), the unpaid portion of labour (surplus value or profit) must progressively fall.⁶³

Eventually the valorisation process, through the fall in the rate of profit, brings capital accumulation to a halt, even though '[f]rom a purely technological aspect, as a labour process for the production of use values, nothing could impede the expansion of the forces of production'.⁶⁴ The very mechanism through which capitalism increases the productivity of human labour *necessarily* undermines the rate of profit⁶⁵ and hence gives rise to economic crises. Contradictions at the heart of the capitalist production process constitute the 'law of capitalist breakdown'. In Marx's words 'The real barrier of capitalist production is *capital itself*'.⁶⁶

For polemical purposes, Grossman demonstrated the mechanisms at work by using a simplified version of Otto Bauer's reproduction scheme.⁶⁷ Bauer had developed it, on the basis of Marx's

63 Grossmann 1941, p. 41 also see pp. 47-48; and Grossmann 1929b, pp. 61, 119, 123-124, 144-147.

64 Grossmann 1929b, p. 119 also pp. 123-124.

65 Grossman 'Entwertung'.

66 Grossmann 1929b, p. 119. The reference is to Marx 1981, p. 358.

67 Grossman's more abstract model had the advantage that conclusions derived from it would be true even when the equalisation of profit rates across industries or departments of production transformed commodities' values into the 'prices of production' Grossmann 1932b, pp. 63-64.

schemes of capitalist accumulation in volume 2 of *Capital*, to refute Rosa Luxemburg's argument that accumulation could only occur when 'third parties', outside the framework of capitalist production, provided markets for a portion of capitalist output. Bauer's numerical model made assumptions about the rate of accumulation (ratio of new investment in labour power and constant capital to outlays on these in the previous cycle), the rate of surplus value (ratio of surplus value to the value of the labour power which created it) and the rate of population growth. For four cycles ('years') of production, the model ran quite smoothly, and showed that capitalism could survive without external markets, that the system would not break down in the way Luxemburg argued it would. A realistic feature of Bauer's scheme was the assumption that constant capital accumulated at a more rapid rate than variable capital. In other words, over time capitalists' outlays on means of production grows compared to what they pay on wages to purchase labour power. The *organic composition of capital* tends to rise. Because only living labour creates surplus value, given a constant rate of surplus value, this means that the rate of profit (the ratio of surplus value to capitalists' total outlays on variable and constant capital) tends to fall.

Grossman noted that

Bauer's scheme is insufficient on many grounds... I wanted to demonstrate that the result of even this, his mistaken scheme is breakdown and not equilibrium. *I do not want, however, to identify myself with Bauer's scheme under any circumstances.*⁶⁸

By letting it run for 36 cycles rather than just four, Grossman showed that this very model, designed to refute Luxemburg's theory of breakdown, actually confirmed the validity of her conclusion. Bauer's own model demonstrated that there are definite limits to capitalism's capacity to grow, although these were not a consequence of the mechanism Luxemburg had identified.⁶⁹

Like his fellow neo-harmonists, Bauer thought that the rate of profit could tend downwards, indefinitely getting closer and closer to zero without ever disappearing entirely. Grossman demonstrated why this is not the case. His explanation remains important as a refutation of the reformist illusion that capitalism is capable of sustaining crisis-free growth.

After 20 cycles of the Bauer/Grossman model, the incentive for capitalists to invest begins to decline because the absolute amount of surplus value available for the private consumption of the capitalists has to fall, if the assumed rate of accumulation of constant and variable capital is to be maintained. This is despite the fact that the total mass of profit continues to rise. Grossman argued that, as a consequence, capitalists will start seeking outlets for profitable investment outside production, especially in speculative activity and the export of loan capital.⁷⁰ By year 35, no surplus value is available for capitalists' private consumption at all. What is more, the total amount of surplus value is now not even sufficient to purchase the additional constant and variable capital required to sustain the model.

So either working class wages have to be reduced or previous assumptions [of the model] must be broken. In particular the assumption that, with a 5% annual increase in population, constant capital must accumulate at 10% a year if technological progress is

Gurland (1930) and Neisser (1931), two of Grossman's early critics and more recently Howard and King (1989 p. 330) were oblivious to this consequence of the difference between Grossman's and Bauer's models.

68 Grossmann 1969, p. 88.

69 Grossmann 1929b, pp. 74-77, 168.

70 Grossmann 1929b, pp. 189, 191-192.

to match population growth has to be lifted... The tempo of accumulation must decline from now on and indeed slow down continuously and progressively. Accumulation cannot keep up with population growth. Fewer and fewer machines etc than are really required can be put in place, which means nothing else than that the development of the productive forces is constrained. As a consequence, from this year on an increasingly large reserve army [of unemployed workers] emerges. The slowing of the tempo of accumulation and the emergence of a reserve army occur, not as Bauer thinks, because wages have risen, but despite the fact that, in accord with our assumption, wages have been constant for the whole time!⁷¹

Whatever the rate of accumulation assumed in the model, the rate of profit eventually declines to a level at which the mass of surplus value is not great enough to sustain that rate of accumulation.⁷² Furthermore, because accumulation takes the form of investment in concrete use values, it will ultimately become impossible to invest the arbitrarily small fragment of additional surplus value produced as the rate of profit declines.⁷³ The rate of profit cannot fall indefinitely without triggering a crisis. It was this mechanism, which he identified as intrinsic to the process of capital accumulation, that Grossman regarded as 'the decisively important' factor in Marx's theory of economic crisis and breakdown.⁷⁴ What is more,

The limits to accumulation are specifically capitalist limits and not limits in general. Social needs remain massively unsatisfied. Yet from the standpoint of capital there is superfluous capital because it cannot be valorised.⁷⁵

Grossman developed a formula for calculating when these limits are reached, in order to highlight the factors which slow down or accelerate the collapse. The crisis is accelerated by a higher organic composition of capital and a faster rate of accumulation of constant capital. The effects of a rise in the rate of accumulation of variable capital is ambiguous, while a higher rate of surplus value slows down the tendency for capitalism to break down.⁷⁶

Offsetting mechanisms, Grossman pointed out, mean that capitalism's tendency to break down will take the form of recurring crises, rather than an uninterrupted collapse. 'In this way the breakdown tendency, as the fundamental tendency of capitalism, splits up into a series of apparently independent cycles which are only the form of its constant periodic assertion'.⁷⁷ A crisis is both a consequence of capitalism's breakdown tendency and, 'from the standpoint of capitalist production, a healing process through which the valorisation of capital is restored', for the time being.⁷⁸ During crises, the means of production of enterprises that experience difficulties are sold off at a discount. The new owners can therefore achieve a higher rate of profit even if they extract no more surplus

71 Grossmann 1929a, pp. 136-137. The passage is abbreviated in Grossmann 1929b, p. 82.

72 Grossmann 1929b, p. 103; also see Grossmann 1932a, pp. 331-2.

73 Grossman 1932a, pp. 332-333.

74 Grossmann 1929b, p. 83.

75 Grossmann 1929b, p. 189.

76 Grossmann 1929b, pp. 96-101. Sam Pietsch pointed out to me that two steps in the derivation of Grossman's formula are misspecified in Grossmann 1929b, p. 97; cf. Grossmann, 1970 pp. 184-185.

77 Grossmann 1929b, p. 85.

78 Grossmann 1929b, p. 99.

value from the same number of employees. When unemployment rises as a result of a crisis workers' bargaining power declines, so capitalists are also generally better placed to drive down wages and hence to increase the rate of surplus value.

Counter-tendencies

Having established the fundamental causes of capitalism's tendency to break down, the next stage in Grossman's second account of economic crises was to examine the consequences of both automatic mechanisms and deliberate policies which off-set falling profit rates. He considered the consequences of lifting Bauer's unrealistic assumptions.⁷⁹ In doing so, Grossman drew on and extended the discussion of counter-tendencies in *Capital* and reinforced Marx's conclusions.⁸⁰

Commodities can be produced with the expenditure of less labour as a consequence of the introduction of new technologies and superior means of production. This applies to both commodities which are means of production and to the means of consumption that workers require to reproduce their labour power. If means of production are produced at a lower cost, the organic composition of capital will decline and the rate of profit will rise. Nevertheless,

the factors which bring about the tendency for the rate of profit to fall indeed win the upper hand 'in the long run', because in the end there really is an increase in the productive forces of *all* branches of industry. Temporarily, in specific branches of a particular industry, the tendency for the rate of profit to fall can, however, be checked and indeed because the elements of constant and variable capital are cheapened.⁸¹

In the short term, random improvements in the productivity of labour may reduce the value of constant capital more than that of variable capital in a branch of industry, lowering the organic composition of capital and raising the rate of profit. But in the longer term, declines in the value of constant and variable capital balance out. What remains is the incentive, outlined by Marx at the end of the chapter on 'The law as such' in the third volume of *Capital*, to increase the productivity of human labour (and the profitability of the first capitalists to innovate) by raising the organic composition of capital.⁸² In an unpublished response to critics, Grossman identified the question of whether the growth in the mass of means of production is offset by the decline in their value as an empirical one.

Experience, indeed the experience of more than one hundred years, teaches that the value of constant capital, thus also of the total capital, in relation to variable capital grows more quickly than variable, that is, in the relationship $c:v$, c [constant capital] grows faster than v [variable capital].⁸³

Cheapening the cost of variable capital increases the rate of surplus value, by reducing the proportion of the working day workers have to spend reproducing their labour power. The depression of wages below the value of labour power has a similar effect. Both mechanisms, the first a consequence of the process of capital accumulation itself, the second the result of the

79 Grossmann 1969, pp. 86-87.

80 Marx 1981, pp. 339-375

81 Grossmann 1929a, pp. 311, 329; also Grossmann 1929b, pp. 137-138.

82 Marx 1981, p. 338.

83 Grossman 'Entwertung'. The emphasis is Grossman's rather than Bauer's. For a recent illustration of the decreasing weight of labour costs in manufacturing capitalists' outlays see *The Economist* 2003.

conscious actions of capitalists and governments, raise the rate of surplus value, increasing the rate of profit and postponing the onset of crises.⁸⁴ What is more, the tendency for the rate of profit to fall is accompanied by a tendency for the rate of surplus value to increase.⁸⁵

Desirable as the defence of working class living standards is for its own sake, Grossman pointed out that

Once this connection is clear, we have a means of gauging the complete superficiality of those theoreticians in the trade unions who argue for wage increases as a means of surmounting the crisis by expanding the internal market. As if the capitalist class is mainly interested in selling its commodities rather than the valorisation of its capital.⁸⁶

It makes sense for workers to struggle for higher wages and against wage cuts. This is the only means they have to defend and improve living standards and can also lay the foundations for struggles that consciously challenge the continued existence of the capitalist order. But, to the extent that they are successful, campaigns to maintain or increase wages will prevent employers from increasing the rate of profit or will reduce it. Higher wages intensify rather than alleviate crises deriving from the tendency for the rate of profit to fall.

Grossman identified a series of other factors which affect the rate of profit. Decreasing the turnover time of capital means that it can give rise to more surplus value. This can also free a portion of money capital for productive investment. New commodities may emerge whose organic composition of capital is lower than the average, leading to a higher average rate of profit.⁸⁷ The extension of capitalist production on the basis of existing technology--simple accumulation--will slow the tendency for the rate of profit to fall.⁸⁸ As the ability of productive capitalists to dominate the whole of the circuit of capital grows, they are in a better position to reduce deductions from surplus value, in the form of the claims of landowners (groundrent), commercial capitalists (commercial profit) and banks (interest), and thus to sustain their profitability.⁸⁹ Decreasing the income of intermediate social strata, bureaucrats and professionals, who are not involved in production operates in the same way.⁹⁰ The destruction of means of production in military conflict also weakens the breakdown tendency.⁹¹

Imperialism generates a series of other mechanisms which can offset the tendency for the rate of profit to fall. For Grossman, as for Luxemburg, 'the growing tendency to break down and the strengthening of imperialism are merely two sides of the same empirical complex'. Imperialism is a means of '**securing the flow of additional surplus value from outside**' a country. But, Grossman asserted, Lenin's critique of underconsumptionism and emphasis on the export of capital as a characteristic feature of imperialism since the late 19th century refuted Luxemburg's analysis of

84 Anwar Shaikh (1990, p. 308) has, nevertheless, demonstrated that 'no matter how fast the rate of surplus value rises, the rate of profit eventually falls'.

85 Grossmann 1929a, p. 316.

86 Grossmann 1929b, p. 140.

87 Grossmann 1929b, pp. 147-149.

88 Grossmann 1929b, pp. 154-155.

89 Grossmann 1929b, pp. 149-152, 199-200.

90 Grossmann 1929b, pp. 153-154

91 Grossmann 1929b, p. 158.

imperialism primarily as a means to realise surplus value.⁹² Like the other Marxists who had dealt with the export of capital, in the form of loans, credits and speculative investments, Lenin's account was, however, more empirical than analytical.⁹³ Rather than being directly related to the level of monopolisation of industry, as Lenin suggested, capital export is a consequence of the lack of opportunities for adequate returns on domestic investments of liquid funds, due to low profit rates. Capitalism's tendency to break down, in other words, encourages the export of capital. By instituting control over sources of cheap raw materials at the expense of competitors, for example, capital export and the policies of imperialist states which promote it can boost the profitability of metropolitan capitals.⁹⁴ Rampant gambling on the stock exchange is often similarly motivated by the declining opportunities for profitable investment in advanced capitalist countries.⁹⁵

Just as the diversification of domestic economies into new areas of production expands the scope for creating surplus value by making different use values, so foreign trade also slows the breakdown tendency by increasing the variety of use values. In addition, foreign trade raises profit rates by allowing greater economies in the scale of production and distribution.⁹⁶

Imperialism off-sets capitalism's tendency to break down in a further way. The formation of a world rate of profit means that trade can involve the transfer of surplus value from less to more developed countries. Commodities produced with a lower organic composition of capital sell below their value, while those produced with a higher organic composition sell above theirs. This was a rigorous formulation of a theory of 'unequal exchange', a term Grossman used, long before the idea became fashionable in the 1970s.⁹⁷ 'At advanced stages of accumulation, when it becomes more and more difficult to valorise the enormously accumulated capital, such transfers [from underdeveloped to developed countries] become a matter of life and death for capitalism. This explains the virulence of imperialist expansion in the late stage of capital accumulation.'⁹⁸

Grossman's conclusion about the logic of imperialism has a particularly contemporary resonance.

It is also, therefore, clear that the struggle for spheres for investment is the greatest danger to world peace. That this does not involve prediction of the future should be clear to anyone who studies the methods of 'Dollar Diplomacy' with the appropriate attention.⁹⁹

Economic crisis and socialist revolution

In the final stage of his explanation of capitalism's breakdown tendency and crises, in terms of the tendency for the rate of profit to fall, Grossman operated at a concrete level of analysis, focusing on

92 Grossmann 1932a, pp. 318-322. Also see Grossmann 1929a, pp. 527-529

93 Grossmann 1929a, pp. 519-520; Grossmann 1929b, pp. 179-185, 194.

94 Grossmann 1929a, pp. 296-297, 300, 527-529; Grossmann 1929b, pp. 174-179, 180, 187-188, 193.

95 Grossmann 1929b, p. 192.

96 Grossmann 1929b, pp. 166-168.

97 Grossmann 1929b, p. 172. Also see Grossmann 1929c, pp. 305-338; Grossmann 'Durchschnittsprofitrate', pp. 34-35.

98 Grossmann 1929b, p. 172.

99 Grossmann 1929a, p. 572; an abbreviated discussion of the issue is in Grossmann 1929b, p. 197.

implications for the class struggle.¹⁰⁰ Counter-tendencies can temporarily off-set the decline in the rate of profit and moderate crises so that they do not result in total economic collapse. But the counter-tendencies become progressively weaker. 'If crisis, for him [Grossman], is a tendency to break down that has not fully unfolded, *then the breakdown of capitalism is nothing but a crisis that has not been limited by counter-tendencies*'.¹⁰¹

Hilferding argued that planning, within the framework of capitalism, could prevent crises. He did so because he attributed crises to the anarchy of production.¹⁰² But, Grossman countered, capitalism is a *global* system that makes effective planning in individual countries impossible. Even more importantly, as the proneness of the capitalist mode of production to crises does not arise directly from competition but rather indirectly from the overaccumulation of capital and its effects on the rate of profit, 'organised capitalism' will not resolve the underlying problem.¹⁰³

Economic crises, like the Depression from 1929, are unavoidable and can trigger sharp class struggles, as employers attempt to sustain their own consumption as well as capital accumulation, at the expense of wages. If bosses generally win in these conflicts, labour power will not be fully reproduced, i.e. the working class will be paid less than the value of its labour power. If workers maintain or improve their living standards, then the rate of accumulation will slow, technological change stagnate and the crisis will become more acute. So 'the breakdown, despite its objectively given necessity, can be influenced by the living forces of the struggling classes to a large extent and leaves a certain scope for active class intervention'.¹⁰⁴

The prospects for socialist revolution are increased by the circumstances of deep economic crises, 'when every major **economic** struggle necessarily becomes a question of the existence of capitalism, a **question of political power**'. Revolution is 'a result of immediate everyday struggles and its realisation can be accelerated by these struggles'.¹⁰⁵

Far from propounding a theory of the automatic collapse of capitalism, as his critics alleged, Grossman's second theory of capitalist crises explored the objective preconditions for successful revolutionary action by the working class. In explaining his approach to Mattick, Grossman emphasised points he had made previously in print.

Obviously, as a *dialectical* Marxist, I understand that both sides of the process, the objective and subjective elements influence each other *reciprocally*. In the class struggle these factors fuse. One cannot 'wait' *until* the 'objective' conditions are there and only *then* allow the 'subjective' factors to come into play. That would be an inadequate, mechanical view, which is alien to me. But, *for the purposes* of the analysis, I had to use the process of abstract isolation of individual elements in order to show the essential function of each element. Lenin often talks of the revolutionary situation which has to

100 The final chapter of Grossmann 1929a, which concludes Grossman's argument at the most concrete level of analysis, that of the class struggle, is missing from Grossmann 1929b.

101 Grossmann 1932a, p. 335.

102 See Hilferding 1927.

103 Grossmann 1929a, pp. 606, 610-619.

104 Grossmann 1929a, 590-591, 595-598, 601; Grossmann 1969, pp. 86-87; Grossmann 1932a, p. 333. For an illuminating summary of Grossman's account of the movement of wages that includes a translation of a section not included in the English translation of *The law of accumulation*, see Lapidus 1994, pp. 239-246.

105 Grossmann 1929a, pp. 602-603.

be objectively given, as the precondition for the active, victorious intervention of the proletariat. The purpose of my breakdown theory was not to exclude this active intervention, but rather to show when and under what circumstances such an objectively given revolutionary situation can and does arise.¹⁰⁶

Recovery and loss

Grossman's recovery of Marx's theory of economic crisis proved to be a short interlude of illumination between the fog of orthodox Second International Marxism and the violent storm clouds of Stalinism. The international working class experienced disastrous setbacks during the late 1920s and early 1930s. Stalin's faction was victorious in Russia. It subordinated the international Communist movement to the interests of the state capitalist class now in control of the Soviet Union.¹⁰⁷ The Nazis destroyed the German labour movement in 1933. The upsurge in working class struggle and organisation which were the context of the recoveries of Marxism undertaken by Lenin, Lukács and Grossman had ended and the international working class was generally on the defensive. The space for the revolutionary Marxist tradition that rejected both social democracy and Stalinism contracted dramatically.

The Stalinised Communist movement substituted justifications for Russian nationalism, hyper-exploitation of workers in the Soviet Union and dictatorial authority, i.e. 'Marxism-Leninism', for Marxism. This new conservative ideology negated Lenin's internationalism, his understanding of the nature of proletarian state power and insights into the relationship between a revolutionary party and the working class. Most prominent Communists made an accommodation with Stalinism. They included Lukács who repudiated his own contributions to the recovery and development of Marxism.¹⁰⁸ Very small numbers of people, amongst whom Trotsky and his supporters were the most effective, continued to defend revolutionary Marxism.

A few exceptions aside, the initial reception of *The law of accumulation* was very unfriendly.¹⁰⁹ The reviews were shaped by the Stalinist, bourgeois and social democratic polities of their authors. Grossman was a Communist sympathiser until 1933. But, unaffected by party discipline, he was unaware of the implications of Stalinism and regarded his views, based on Marx and Lenin and shaped by his own experiences of working class organisation and struggle, as compatible with the outlook of the official Communist movement. Stalinist ideologues were, however, very conscious of the contradictions between his work and their orthodoxies.

On the level of polities, Communist attitudes to Grossman's work were conditioned by the emergence of a dogma in economic theory, paralleling developments in many other areas. It was based on Stalin's unchallengeable utterances and presided over by his high priest in economics, Jenő Varga. Any theory which did not accord with their radical underconsumptionist explanation of economic crisis was a challenge to Stalin's authority and that of the hierarchy of the Communist International.

In terms of specific content, Grossman's work embodied ideas that might prompt unwanted scrutiny of social relations in the Soviet Union. This could be a dangerous consequence of his critical focus on the fetishism of commodities and their dual nature, as use and exchange values; his location of

106 Grossmann 1969, p. 88.

107 See Cliff 1955 and Hallas 1985.

108 See Löwy 1979; pp. 193-205; Arato and Breines 1979, pp. 190-200; Rees 2000, pp. 32-35.

109 For details about the reception of Grossman's book and his responses to critics see Kuhn 2004.

the roots of economic crises in contradictions at the heart of capitalist production; his identification of the working class as a potential historical subject; and his advocacy of a method that abstracted from surface appearances to reveal the essence of social reality. For, despite state ownership of the means of production, the Russian economy was still organised according to the logic of commodity production and was periodically disrupted by economic crises. The regime's rhetoric about planning and the dictatorship of the proletariat denied the reality of arbitrary decision making and the dictatorship of a new bureaucratic, capitalist class.

Bourgeois economists and social democrats were just as understandably hostile to Grossman's theory. It maintained that capitalism was necessarily crisis-prone and ruled out a crisis-free transition from capitalism to socialism. The judgements in the first hostile reviews of his book, particularly that Grossman was guilty of arguing that capitalism would break down automatically, have been regurgitated ever since in standard accounts of Marxist economies.¹¹⁰

The polities of the social democratic and Stalinist organisations which dominated the left meant that positive assessments of the core argument in *The law of accumulation* were confined to the margins of the international labour movement. In France, Mohan Tazerout, a professor in provincial *lycées*, praised the work.¹¹¹ Paul Mattick espoused Grossman's contributions to Marxist economics in English and German for fifty years.¹¹² Until the 1960s, however, his political audience was tiny. During the 1930s, translations of Grossman's work only appeared in Japanese, Czech and Serbo-Croatian, but not French, Spanish or English, let alone Russian. With two exceptions, it was not until the late 1960s that more of Grossman's work was republished in any language.¹¹³

The circumstances of what Victor Serge called the midnight in the century, when Stalinism and fascism were triumphant, help explain the political trajectories of Grossman, his immediate associates and many working class militants. The labour movement's defeats during this period also destroyed or obscured much of the tradition of revolutionary Marxism, including Grossman's contribution.

After the Nazi seizure of power in 1933, Grossman left Germany for Paris, where he lived until moving to London in early 1936. The disastrous policies of the German left, which had allowed Hitler to take over without a serious fight, led Grossman to reassess his attitude to official Communism. He adopted highly critical positions that paralleled Trotsky's on the Soviet Union and the policies of the Communist International, in both their sectarian 'Third Period' and class-collaborationist 'Popular Front' incarnations.¹¹⁴ In private correspondence, he expressed some bravado at the worsening situation in early 1935, apparently aware of the poor state of the small French Trotskyist current, which had split over a decision to enter the Socialist Party.

¹¹⁰ e.g. Howard and King 1989, pp. 316-336; and Hansen 1985, pp. 65, 142. Sweezy (1970, pp. 211-13, 215) asserted that Grossman's crisis theory was mistaken and 'exhibits in extreme form the dangers of mechanistic thinking' but did endorse some of his other conclusions and refrained from the common accusation that Grossman thought capitalism would collapse without the need for working class intervention.

¹¹¹ Tazerout 1932.

¹¹² For example, Mattick 1934; Mattick 1974.

¹¹³ The exceptions reinforce the basic point. They were a Czech edition of an essay, published in 1946 before the Communist takeover; and a Serbo-Croatian edition of *The law of accumulation*, published in 1956, well after Yugoslavia's departure from the Soviet block.

¹¹⁴ Grossmann 1969, pp. 104, 107-108.

Sadly, the political situation is hopeless. The IIIrd International morally bankrupt, Trotskyism having perished miserably, other little groups without hope in the future of the workers' movement. In short we have to start the whole work from the beginning. But despite all this I am an optimist because the objective economic situation of capitalism is hopeless.¹¹⁵

A few days later, Grossman wrote that

I gave up the hope that the Muscovites would indicate a fruitful path in the area of philosophy. Over there, Stalin has to be celebrated as the greatest philosopher, the greatest economist, the greatest thinker in general.¹¹⁶

But Grossman abandoned his negative assessment of Russia between February 1935 and November 1936, the period during which the Communist International's Popular Front strategy had its greatest successes: the election of Popular Front governments in Spain and France. The Civil War in Spain, after the military insurrection against the government in July 1936, seem to have had a major effect on Grossman. The Soviet Union was the only major power to back the Spanish Republic against the nationalist rebels, while Communists everywhere were enthusiastic supporters of the Republican cause. Grossman would not credit accurate reports of the counter-revolutionary role of Spanish Communists, carrying out policies formulated in Moscow.¹¹⁷ It was more comforting to revert to the belief that socialism was being constructed in the Soviet Union, which was fulfilling its duty to the international working class in the fight against fascism. Until the end of his life, Grossman held fast to this fantasy, through the increasingly desperate efforts by Stalin's regime to reach an accommodation with British and French imperialism, then the Hitler-Stalin Pact, the nationalism of the 'Great Patriotic War against Fascism' and the Cold War.

Nevertheless, in London, New York, where he lived from 1937 until 1949, and finally Leipzig, Grossman continued to defend and develop his economic analyses. The synthesis of Grossman's contribution in the previous section draws, in particular, on his 1941 'Marx, Classical Political Economy and the Problem of Dynamics' and 1943 'The Evolutionist Revolt against Classical Economics'.¹¹⁸ He was (again) oblivious to the contradiction between his own theories, on the one hand, and, on the other, his faith in the state capitalist regime in Russia and its influence on Communists around the world. Grossman's loyalty to his own contribution to Marxism can, at least in part, be explained in terms of his very high self-regard, attested to by friends and colleagues, and the momentum of his earlier work. The impetus for that work derived from his experiences as an activist amongst Jewish workers and socialist students, as a leader of the Jewish Social Democratic Party, on the left wing of the international labour movement, and as a member of the Polish Communist Party. An organic intellectual of the working class at an early age, Grossman's international profile arose from publications that embodied his recovery of Marxist economics.

115 Letter from Henryk Grossman to Max Beer, 19 January 1935, Nachlaß Max Beer Box 1, Archiv der sozialen Demokratie der Friedrich-Ebert-Stiftung. The Trotskyist Communist League, of about 100 members, split in August 1934. In 1934-35, the international Trotskyist movement also lost two of its most influential European sections, in Greece and Spain.

116 Horkheimer 1995, p. 312. Also see Grossmann 1969, pp. 109-110.

117 Horkheimer 1995, pp. 714-715, 797-798; Grossmann 1969 p. 111. For the role of the Communists during the Civil War see Broué and Témime 1972.

118 Grossmann 1977, 1943a and 1943b.

The situation of Grossman's younger colleagues at the Institute for Social Research in the immediate circle of Max Horkheimer was different. They had been radicalised by the revolutionary atmosphere in Germany between 1918 and 1923. None had personal experience in the organised workers' movement. Their publication records during the 1920s and 1930s were much more modest and the intellectual capital they had sunk into Marxism, compared to Grossman's work, was therefore of much less significance for their reputations. Following the collapse of the mass workers' movement in Germany and the Moscow show trials from 1936, their commitment to Marxism waned. By the early 1940s, Horkheimer had abandoned historical materialism and the idea that the working class could liberate society.¹¹⁹ Leo Löwenthal, a member of Horkheimer's inner group, later recalled, 'We didn't feel that we had deserted the revolution, but rather that the revolution had deserted us.'¹²⁰

Throughout his exile in France, England and the USA, the Institute for Social Research supported Grossman financially. But conflicts over politics, as Horkheimer and his friends moved to the right, and salary, as the Institute's resources diminished under the financial management of the economist Fritz Pollock, culminated in Grossman's estrangement from most of his colleagues in 1941. Although the Institute continued to provide him with a small income, occasionally supplemented by payments for translations of his current work, and he still insisted that, legally, he was one of its members, from then on he had very limited contact with the Horkheimer group.

In 1949, when he accepted a lump sum payment to terminate the Institute's obligations to him, Horkheimer and Pollock were happy to see Grossman's back. The severance money financed a move to east Germany, where he took up a professorial post at the University of Leipzig. Although keen to contribute to the 'socialist' reconstruction in east Germany, Grossman's ability to engage in teaching and research were soon curtailed by ill health.

In exile and back in Germany, Grossman was keen to find a new and wider audience for his work. In the United States, he explored the possibility of publishing an English translation of 'Marx, Classical Political Economy and the Problem of Dynamies' and prepared an English version of a monograph on Descartes. In Leipzig, he was enthusiastic about passing on his understanding of Marxist economics to students and about publishing and republishing his work. The year he died, 1950, he submitted a collection of his essays from the 1930s to Dietz, the principal publishing house of the East German Communist Party. It issued neither this volume, nor any other book or essay by Grossman.

For the same reasons that Grossman's theories had been criticised by apologists for capitalism and Stalinism during the early 1930s, they remained uncongenial for Moscow as well as Washington during the Cold War, despite his allegiance to the Soviet Union. The contributions Grossman had made to Marxist economics were largely dormant until the late 1960s. Then a new generation of young Marxists--initially activists in the West German new left--began to recover them and Grossman's own recovery of Marx's insights.¹²¹

119 On the political evolution of Horkheimer and his closest associates in the Institute for Social Research see Brick and Postone 1982, p. 652; Buck-Morss 1977, pp. xii, 24, 28; 42, 62; Slater 1977, p. 63.

120 Leo Löwenthal cited in Gangl 1987, p. 247.

121 While the German new left republished Grossman's work, his positions were more widely adopted in the English speaking world; see Yaffe 1973, Shaikh 1978, Harman 1984, Harman 1993.

References

There is an extensive bibliography of Grossman's work in Kuhn 2000a, pp. 163-70.

Arato, Andrew and Paul Breines 1979, *The young Lukács and the origins of western marxism*, London: Pluto.

Bauer, Helene 1929, 'Ein neuer Zusammenbruchstheoretiker', *Der Kampf*, 22, 6: 270-280.

Bauer, Otto 1913, 'The accumulation of capital', *History of political economy*, 18, 1, 1986: 88-110.

Benedikt, Otto 1929, 'Die Akkumulation des Kapitals bei wachsender organische Zusammensetzung', *Unter dem Banner des Marxismus*, 3, 6: 869-911.

Bernstein, Eduard 1899, *The preconditions of socialism*, Cambridge: Cambridge University Press, 1993.

Brick, Barbara and Moishe Postone 1982, 'Critical pessimism and the limits of traditional Marxism' *Theory and society* 11, 5: 617-658.

Broué, Pierre and Emile Témime 1972, *The revolution and the civil war in Spain* London: Faber and Faber.

Buck-Morss, Susan 1977, *The origin of negative dialectics: Theodor W. Adorno, Walter Benjamin and the Frankfurt Institute Hassoeks*: Harvester Press.

Burkett Paul 1999, *Marx and nature: a red and green perspective*, New York: St Martins.

Cliff, Tony 1955, *State capitalism in Russia* London: Pluto, 1974.

Cliff, Tony 1975, *Lenin, volume 1: building the party*, London: Pluto.

Cunow, Heinrich 1898, 'Zur Zusammenbruchstheorie', *Neue Zeit*, 17, 1, 14: 424-430.

Day, Richard 1981, *The 'crisis' and the 'crash: soviet studies of the west (1917-1939)*, London: NLB.

Draper, Hal 1970 'Marx and Engels on Women's Liberation', *International socialism*, 44: 20-29.

Draper, Hal 1977, *Karl Marx's theory of revolution, volume 1: state and bureaucracy*, New York: Monthly Review Press.

Draper, Hal 1978, *Karl Marx's theory of revolution, volume 2: the politics of social classes*, New York: Monthly Review Press.

The economist 2003, 'The misery of manufacturing', *The economist*, 27 September: 59-60.

Engels, Friedrich 1878, *Anti-Dühring (Herr Eugen Dühring's revolution in science)*, Peking: Foreign Languages Press, 1976.

Foster, John Bellamy 2000, *Marx's ecology: materialism and nature*, New York: Monthly Review Press.

Gangl, Manfred 1987, *Politische Ökonomie und Kritische Theorie: Ein Beitrag zur theoretischen Entwicklung der Frankfurter Schule*. Frankfurt/New York: Campus.

Gramsei, Antonio 1971, *Selections from the prison notebooks*, New York: International Publishers.

Grebing, Helga 1977, *Der Revisionismus von Bernstein bis zum 'Prager Frühling'*, München: Beck.

Greenspan, Alan 1997, 'Turbulence in World Financial Markets'. Testimony before the Joint Economic Committee, U.S. Congress, 29 October.

Grossman, Henryk, 'Entwertung'. Manuscript starting 'Die Entwertung sollen die Zusammenbruchstendenz aufheben ...' in original Folder 45 'Stellungnahme zur Kritik am Hauptwerk', 'Henryk Grossman', III-155, Archiwum Polskiej Akademii Nauk.

Grossman, Henryk 1907a, 'Dos 40 johrige jubeilium fun *Kapital*', *Sotsial-demokrat*, 19 July: 1.

Grossman, Henryk 1907b, *Der Bundizm in Galitsien*, Krakow: Ferlag der *Sotsial-democrat*.

Grossman, Henryk 1922, 'The theory of economic crises', *Research in political economy*, 2000: 171-180.

Grossman, Henryk 1923, 'Ekonomiezy system Karola Marksa', *Kultura Robotnicza*, 2, 10, 32, 17 March: 295-299.

Grossman, Henryk 1924, *Simonde de Sismondi et ses theories economiques. Une nouvelle interpretation de sa pensee*, Warsaw: Bibliotheca Universitatis Liberae Polniae, fasc. 11.

Grossman, Henryk 1937, 'Marx und die Klassische Oekonomie oder Die Lehre vom Wertfetiseh', typescript, original Folder 18, in 1997 Folder 68, 'Henryk Grossman', III-155, Archiwum Polskiej Akademii Nauk.

Grossman, Henryk, 1943a. 'The evolutionist revolt against classical economies. I. In France-- Condoreet, Saint-Simon, Simonde de Sismondi', *The Journal of Political Economy*, 51, 5, October: 381-396.

Grossman, Henryk, 1943b. 'The evolutionist revolt against classical economies. II In England-- James Steuart, Richard Jones, Karl Marx', *The Journal of Political Economy*, 51, 6, December: 506-522.

Grossmann, Henryk, 'Durchschnittsprofitrate'. "Das Problem der Durchschnittsprofitrate in der modernen volkswirtschaftlichen Theorie" von: Professor Henryk Grossmann', original Folder 37, in 1997 Folder 62, 'Henryk Grossman', III-155, Archiwum Polskiej Akademii Nauk.

Grossmann, Henryk 1928, 'Eine neue Theorie über Imperialismus und die soziale Revolution'. *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung*, 13: 141-192.

Grossmann, Henryk 1929a, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems (zugleich eine Krisentheorie)*, Frankfurt am Main: Verlag Neue Kritik, 1970.

Grossmann, Henryk 1929b, *The Law of Accumulation and Breakdown of the Capitalist System: Being also a Theory of Crises*, London: Pluto Press, 1992.

Grossmann, Henryk 1929c, 'Die Änderung des ursprünglichen Aufbauplans des Marxschen "Kapital" und ihre Ursachen', *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung*, 14: 305-338.

Grossmann, Henryk 1931, 'Bolshevismus', in Henryk Grossmann and Carl Grünberg, *Anarchismus, Bolschewismus, Sozialismus*, Frankfurt am Main: Europäische Verlagsanstalt, 1971: 36-87.

Grossmann, Henryk 1932a, 'Die Fortentwicklung des Marxismus bis zur Gegenwart', in Henryk Grossmann and Carl Grünberg, *Anarchismus, Bolschewismus, Sozialismus*, Frankfurt am Main: Europäische Verlagsanstalt, 1971: 281-336.

Grossmann, Henryk 1932b, 'Die Wert-Preis-Transformation bei Marx und das Krisenproblem', *Zeitschrift für Sozialforschung*, 1, 1: 55-84.

Grossmann, Henryk 1932c, 'Die Goldproduktion im Reproduktionsschema von Marx und Rosa Luxemburg' in *Festschrift für Carl Grünberg zum 70. Geburtstag*, Hirschfeld: Leipzig: 152-184.

Grossmann, Henryk 1935, 'The social foundations of mechanistic philosophy and manufacture', *Science in context*, 1, 1, 1987: 129-180.

Grossmann, Henryk 1941, 'Marx, classical political economy and the problem of dynamics' *Capital and class*, 2 Summer 1977, 32-55, and 3 Autumn 1977: 67-99.

Grossmann, Henryk 1969, 'Briefe Henryk Grossmanns an Paul Mattick über Akkumulation', in Henryk Grossmann, *Marx, die klassische Nationalökonomie und das Problem der Dynamik*, Frankfurt am Main: Europäische Verlagsanstalt: 85-113.

Grossmann, Henryk and Carl Grünberg 1931-1933, *Anarchismus, Bolschewismus, Sozialismus: Aufsätze aus dem Wörterbuch der Volkswirtschaft*, Europäische Verlagsanstalt: Frankfurt am Main, 1971.

Grossmann, Henryk 1971, *Aufsätze zur Krisentheorie* Verlag Neue Kritik, Frankfurt am Main.

Gurland, Arkadij 1930, 'Absatz und Verwertung im Kapitalismus: Zur neueren Diskussion des Zusammenbruchsproblems', *Der Klassenkampf*, 4, 3, 1 February: 75-83.

Hallas, Duncan 1985, *The Comintern* London: Bookmarks.

Hansen, F. R. 1985, *The breakdown of capitalism: a history of the idea in Western Marxism, 1883-1983*, London: Routledge & Kegan Paul.

Harman, Chris 1993, 'Where is Capitalism Going? Part II', *International Socialism*, 58: 3-57.

Harman, Chris 1984, *Explaining the crisis*, London: Bookmarks.

Haupt, Georges 1972, *Socialism and the Great War: the collapse of the Second International*, Oxford: Clarendon Press.

Hilferding, Rudolf 1927, 'Die Aufgaben der Sozialdemokratie in der Republik', in Rudolf Hilferding *Zwischen den Stühlen oder über die Unvereinbarkeit von Theorie und Praxis: Schriften Rudolf Hilferdings 1904 bis 1940*, Bonn: J. H. W. Dietz, 1982: 214-236.

Horkheimer, Max 1995, *Gesammelte Schriften 15: Briefwechsel 1913-1936*, Frankfurt am Main: Fischer.

Howard, M. C. and J. E. King, 1989. *A history of Marxian economics: volume 1. 1883-1929*, London: Macmillan.

Jay, Martin 1973, *The dialectical imagination*, Berkeley: University of California Press, 1996.

Kautsky, Karl 1892, *The class struggle (Erfurt Program)* Chicago: Kerr, 1910.

Kautsky, Karl 1899, *Bernstein und das sozialdemokratische Programm: Eine Antikritik*, Berlin: Dietz, 1976.

Kautsky, Karl 1902 'Krisentheorien' *Neue Zeit* 20, 2, 3: 76-81.

Kautsky, Karl 1909, *The road to power*, Chicago: Bloch.

Kautsky, Karl 1915, 'Ultra-imperialism', *New left review*, 59, January-February, 1970: 41-46.

Kuhn, Rick 1998, 'Jewish socialists in Galicia and Marxist debates over the national question before World War I' Paper presented to the Political Thought and Capitalism Seminar, University of Newcastle 17-19 February, http://eprints.anu.edu.au/archive/00002598/01/Jewish_socialists_and_national_question.pdf

Kuhn, Rick 2000a, 'Henryk Grossman, a Marxist activist and theorist: on the 50th anniversary of his Death', *Research in political economy*, 18: 111-170.

Kuhn, Rick 2000b, Preface to Henryk Grossman 'The theory of economic crisis', *Research in political economy*, 18, 2000: 172-174.

Kuhn, Rick 2001, 'The Jewish Social Democratic Party of Galicia and the Bund', in Jack Jacobs (ed.) *Jewish politics in Eastern Europe: the Bund at 100*, Basingstoke: Palgrave: 133-154.

Kuhn, Rick 2004, 'Economic crisis and socialist revolution: Henryk Grossman's *Law of accumulation*, its first erities and his responses', *Research in political economy*, 21, forthcoming.

Lapides, Kenneth 1992, 'Henryk Grossmann and the debate on the theoretical status of Marx's *Capital*' *Science & Society*, 56, 2 Summer: 133-162.

Lapides, Kenneth 1994, 'Henryk Grossmann on Marx's wage theory and the "increasing misery" controversy', *History of political economy*, 26, 2: 239-266.

Leacock, Eleanor Burke 1975, 'Introduction' in Friedrich Engels *The origins of the family private property and the state*, New York: International Publishers.

Lenin, Vladimir Ilych 1897, *A characterisation of economic romanticism*. *Collected works volume 2*, Moscow: Progress Publishers, 1977: 128-265.

Lenin, Vladimir Ilych 1899, *The development of capitalism in Russia*. *Collected works volume 3*, Moscow: Progress Publishers, 1977: 25-607.

Lenin, Vladimir Ilych 1901, 'The lessons of the crisis' *Collected works volume 5*, Moscow: Progress Publishers, 1986: 89-94.

Lenin, Vladimir Ilych 1916, *Imperialism: the highest stage of capitalism*, *Collected works volume 22*, Moscow: Progress Publishers, 1985: 185-304.

Lenin, Vladimir Ilych 1902, *What is to be done?*, in Lenin 1977.

Lenin, Vladimir Ilych 1906, *Two tactics of social-democracy in the democratic revolution*, in Lenin 1977.

Lenin, Vladimir Ilych 1915, 'The Collapse of the Second International', *Collected works volume 21*, Moscow: Progress Publishers, 1980: 205-251.

Lenin, Vladimir Ilych 1920a, 'Report on the international Situation and the Fundamental Tasks of the Communist International', *Collected works volume 31*, Moscow: Progress Publishers, 1982: 215-234.

Lenin, Vladimir Ilych 1920b, *Leftwing Communism-an infantile disorder*, *Collected works volume 31*, Moscow: Progress Publishers, 1982: 13-118.

Lenin, Vladimir Ilych 1922, 'On the significance of militant materialism', *Collected works volume 33*. Moscow: Progress Publishers, 1980: 227-236.

Lenin, Vladimir Ilych 1977, *Selected works volume 1*, Moscow: Progress Publishers.

Lenin, Vladimir Ilych 1981, 'Conspectus of Hegel's book *The science of logic*', *Collected works volume 38*, Moscow: Progress Publishers, 85-241.

Löwy, Michael 1979, *Georg Lukács: from Romanticism to Bolshevism*, London: NLB.

Lukács, Georg 1923, *History and class consciousness*, London: Merlin, 1971.

Lukács, Georg 1924, *Lenin*, London NLB, 1970.

Luxemburg, Rosa 1898-1899, *Reform or revolution*, London: Bookmarks, 1989.

Luxemburg, Rosa 1903, 'Stagnation and progress of Marxism', in David Ryazanoff (ed.) *Karl Marx: man, thinker and revolutionist*, London: Martin Lawrence, 1927: 105-114.

Luxemburg, Rosa 1913, *The accumulation of capital*, London: Routledge, 1963.

Marramao, Giacomo 1975, 'Political economy and critical theory', *Telos*, 24: 56-80.

Marramao, Giacomo 1975-1976, 'Theory of the crisis and the problem of constitution', *Telos*, 26: 143-164.

Marx, Karl 1867, *Capital volume 1*, Harmondsworth: Penguin, 1976.

Marx, Karl 1884, *Capital volume 2*, Harmondsworth: Penguin, 1978.

Marx, Karl 1894, *Capital volume 3*, Harmondsworth: Penguin, 1981.

Marx, Karl 1974, *Grundrisse*, Harmondsworth: Penguin, 1939.

Marx, Karl 1871, *The civil war in France*, in Karl Marx *The First International and after: political writings volume 3*, Harmondsworth: Penguin, 1974.

Marx, Karl and Frederick Engels 1848, *Manifesto of the communist party* Progress Publishers, Moscow 1970.

Marx, Karl and Friedrich Engels 1968, *Karl Marx and Friedrich Engels Werke volume 38*, Berlin: Dietz.

Mattick, Paul 1934, 'The Permanent Crisis: Henryk Grossmann's interpretation of Marx' theory of capitalist accumulation', *International council correspondence*, 1, 2: 1-20.

Mattick, Paul 1974, *Marx and Keynes*, London: Merlin.

Morf, Otto 1970, *Geschichte und Dialektik in der politischen Ökonomie: Zum Verhältnis von Wirtschaftstheorie u. Wirtschaftsgeschichte bei Karl Marx* Frankfurt: Europäische Verlagsanstalt.

Neisser, Hans 1931, 'Das Gesetz der fallenden Profitrate als Krisen- und Zusammenbruchsgesetz', *Die Gesellschaft*, 8, 1: 72-85.

Nimtz August H. 2000, *Marx and Engels: their contribution to the democratic breakthrough*, Albany: State University of New York Press.

Rees, John 1998, *The Algebra of revolution: the dialectic and the classical Marxist tradition*, London: Routledge.

Rees, John 2000, 'Introduction' in Georg Lukács *A defence of History and class consciousness: tailism and the dialectic*, London: Verso: 1-38.

Rosdolsky, Roman 1968, *The making of Marx's 'Capital'*, London: Pluto, 1980.

Salvadori, Massimo 1979, *Karl Kautsky and the socialist revolution 1880-1938*, London: New Left Books.

Sacks, Karen 1975, 'Engels revisited: women, the organization of production, and private property', in Rayna Reiter (ed.), *Toward an anthropology of women*, New York: Monthly Review Press.

Scheele, Jürgen 1999, *Zwischen Zusammenbruchsprägnose und Positivismusverdikt: Studien zur politischen und intellektuellen Biographie Henryk Grossmanns (1881-1950)*, Frankfurt am Main: Lang.

Schorske, Carl 1983, *German Social Democracy, 1905-1917: the development of the great schism*, Cambridge (MA): Harvard University Press.

Shaikh, Anwar 1978, 'An introduction to the history of crisis theories' in Bruce Steinberg, et al. *U. S. capitalism in crisis*, New York: Union for Radical Political Economics: 219-241.

Shaikh, Anwar 1990, 'Organic composition of capital', in John Eatwell, Murray Milgate and Peter Newman (eds), *The new Palgrave: Marxian economics*, New York: Norton: 304-309.

Shepard, Stephen B. 1997, 'The new economy: what it really means', *BusinessWeek*, 17 November, <http://www.businessweek.com/1997/46/b3553084.htm>.

Slater, Phil 1977, *Origin and significance of the Frankfurt School: a Marxist perspective*, London: Routledge & Kegan Paul.

Sternberg, Fritz 1926, *Der Imperialismus*, Frankfurt: Verlag Neue Kritik, 1971.

Sweezy, Paul 1942, *The theory of capitalist development*, New York: Monthly Review Press, 1970.

Tazerout, Mohan 1932 'Théorie économique et sociologie économique', *Revue internationale de sociologie*, 40, 5-6, May-June: 303-320.

Trotsky, Leon 1906 *Results and prospects*, in Leon Trotsky *The permanent revolution and results and prospects*, New York: Pathfinder, 1974.

Yaffe, David 1973, 'The Marxian theory of crisis, capital and the state', *Economy and society* 2: 186-232.